

## Message Text

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41

ACTION NEA-10

INFO OCT-01 EUR-12 EA-07 ISO-00 EB-07 AID-05 OMB-01 TRSE-00

AGR-05 FRB-03 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

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FEAE-00 /099 W

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R 181423Z DEC 75

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC 8661

INFO AMEMBASSY ABU DHABI

AMEMBASSY BONN

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MOSCOW

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

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EO 11652: NA

TAGS: EFIN

SUBJECT: FORMULATION OF BUDGET CONTINUES: MINFIN ISMAIL ON FOREGIN  
DEBT REFINANCING

REF: CAIRO 12565

1. ALL CAIRO NEWSPAPERS CARRY REPORTS OF CONTINUING  
DISCUSSION OF 1976 GOE BUDGET IN PEOPLE'S ASSEMBLY DECEMBER 17.  
MINFIN DR. AHMED ABOU ISMAIL, AS PART OF PRESENTATION ON  
GOV'T PROPOSALS, STATED EGYPT HAS RECEIVED DURING COURSE OF  
1975 LOANS UNDER FAVORABLE TERMS FROM ARAB COUNTRIES TOTALLING  
LE 1,600 MILLION. HE NOTED GOE WAS FORCED TO BORROW LE 945  
MILLION IN 1974 AT UP TO 18.5 PERCENT INTEREST, BUT NEW LONG-  
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TERM ARAB FUNDS WILL PERMIT ALLEVIATION OF

THAT BURDEN. ABOU ISMAIL ATTRIBUTED GRANT OF RELIEF FROM WORST OF SHORT-TERM DEBT BURDEN TO PRES. SADAT'S POLICIES AND UNDERSTANDING OF ARAB NEIGHBORS, MAKING POINT THAT WHEREAS OIL EXPORTING NATIONS HAD REALIZED VERY LARGE SURPLUSES IN INCOME AS RESULT OF OCTOBER WAR, EGYPT SINCE 1967 HAD BORNE LOSSES TO ECONOMY OF AN ESTIMATED LE 16,141 MILLION. IN THIS CONNECTION, HE CALLED FOR A PANARAB CONFERENCE TO DISCUSS EGYPTIAN ECONOMIC SITUATION.

2. OTHER BUDGET-RELATED POINTS RAISED BY ABOU ISMAIL DURING DECEMBER 17 DESSION, WHICH REPORTEDLY WAS SCENE OF HEATED EXCHANGES AT TIMES, ESPECIALLY ON QUESTION OF WAGES AND PRICES, INCLUDED PUBLIC SECTOR WAGE INCREASES AND POSSIBILITY OF ABOLISHING SUBSIDIES ON BASIC COMMODITIES (BOTH EVIDENTLY REJECTED BY MINFIN AS INFLATIONARY), NEED FOR ADDITIONAL INVESTMENT FUNDS (CONCURRED IN BY ISMAIL), EXPECTED INCREASE IN 1975 TAX REVENUES (ESTIMATED AT LE 50 MILLION) AND PROJECTED RISE IN COTTON EXPORT EARNINGS AS RESULT OF RECENT DECISION TO GRANT HIGHER PRICES TO FARMERS (SEE CAIRO 12485). BUDGET COMMITTEE OF PEOPLE'S ASSEMBLY IS DUE TO PRESENT ITS FINDINGS DEC. 22, WITH FINAL ACTION ON BUDGET BY END OF MONTH.

3. COMMENT. ABOU ISMAIL'S STATEMENT ON ARAB REFINANCING OF SHORT-TERM HIGH INTERESTS DEBTS INCURRED IN 1974, ALTHOUGH INCLUDING NO DETAIL ON SOURCES OR TERMS, GOES FAR IN EXPLAINING FAIRLY RELAXED ATTITUDE RECENTLY OF GOE ON FOREIGN EXCHANGE REQUIREMENTS (REFTEL) DESPITE TRULY MONUMENTAL AMOUNT OF OBLIGATIONS, ACCORDING TO LATEST INFORMATION AVAILABLE TO US, COMING TO MATURITY CURRENT QUARTER AND DURING 1976. GOE UNDOUBTEDLY WILL CONTINUE USUAL PRACTICE OF NEGOTIATING BETTER TERMS AND REFINANCING SHORT-TERM CREDIT FROM COMMERCIAL SOURCES. MINFIN'S INITIATIVE ANNOUNCED IN PEOPLE'S ASSEMBLY PROBABLY INDICATES, HOWEVER, THAT GOE STILL SEES ITS FISCAL SALVATION IN OPEC OIL MONEY.  
EILTS

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## Message Attributes

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**Current Classification:** UNCLASSIFIED  
**Concepts:** BUDGETS, DEBTS  
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**Decaption Date:** 01 JAN 1960  
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**TAGS:** EFIN, EG  
**To:** STATE  
**Type:** TE  
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